

Julie Fatur

From: George Hillow
Sent: Friday, June 7, 2019 2:25 PM
To: Trevor McAleer; 'Majeed Makhoul'; 'Matt Carroll'; 'Timothy Offtermatt'; Brad Sellers; 'Diane Downing'; 'Joe Roman'
Cc: Julie Fatur
Subject: Reimbursement of BioEnterprise expenses.
Attachments: Disallowed BioE Expenses File with supporting documents v.2..pdf

CUYAHOGA COUNTY CONVENTION
FACILITIES DEVELOPMENT CORPORATION
1 ST. CLAIR AVENUE, NE
CLEVELAND, OH 44114

June 7, 2019

Dear Board Members,

As you probably are aware, my staff has been in the process of reviewing Bio Enterprises expense reimbursements for the services provided to the Global Center. Last Thursday, I was asked to meet with Aram Nerpouni, of Bio Enterprise, Matt Carroll, Matt McBride of Bio Enterprise, and Pat Sweeney of Thompson Hine. The purpose of the meeting was to review the various expenses and determine whether they complied with the agreement. Based on my professional experience, there were several expenses that I was not comfortable approving. Matt Carroll suggested that the board review these expenses.

CCCFDC has been criticized for taking too long to approve reimbursable expenses and accused of being draconian. The statement was made that CCCFDC is exposed to a potential lawsuit from Bio Enterprise. These statements were made in the presence of Bio Enterprise.

Attached are copies of receipts that were submitted and could not be justified. Many charges and items were not preapproved and did not comply with the contract. **A few examples** of disallowed expenses are listed below.

1. November 13, 2017, the dinner charge at Swift and Sons Cold Storage in Chicago for \$165.38; the only detail was a reference to JumpStart.
2. November 27, 2017, a charge was submitted for Mark Richey's son Maxwell to fly from Chicago to San Francisco on Southwest Airlines.
3. December 4, 2017, dinner and cocktails for six individuals. Bar charges for cocktails were \$56.50, and dinner charge was \$884.07, which included three bottles of wine at \$110 each.
4. Mark Richey attended the Pittsburgh Venture Capital Association on January 4, 2018, and was registered as representing "BioEnterprise Medical Growth Fund." He was accompanied by Tatyana Hover also listed as representing the "BioEnterprise Medical Growth Fund."
5. On March 15, 2018, a receipt was submitted for \$295.20 from Downtown Liquor Store for the Bio Enterprise staff and was consumed in the Global Center. The reference on the receipt was to celebrate March Madness happy hour.

6. On March 17, 2018, a dinner charge of \$1975.00 was made at the AquaKnox Restaurant in Las Vegas. There is no reference as to who attended and the purpose of the expenditure.
7. On March 26, 2018, a \$1076.72 dinner was charged at the Fahrenheit Restaurant. No information was provided on who attended and what was discussed.
8. On March 26, 2018, an invoice for \$3,847 was submitted for charges from Levy. CCCFDC contacted Levy to confirm the charges. The actual invoice was for \$2,851. The former was an estimate, but \$3,847 was submitted for reimbursement.
9. On April 4, 2018, an invoice for \$833.94 was submitted for charges from Levy. CCCFDC contacted Levy to confirm the charges. The actual invoice was for \$625.46. The former was an estimate, but \$833.94 was submitted for reimbursement.
10. On May 1, 2018, a \$1642.65 a dinner charge in Chicago was submitted. The reference was MidCity Investment Dinner. Appears to relate to investment activity rather than the Global Center business and appears to be excessive.
11. On May 10, 2018, & June 10, 2018, receipts were submitted totaling \$144.16 from Giant Eagle Liquor Agency.

I have sought opinions from the County Internal Auditor, Corey Swaisgood, CCCFDC's external CPA, Dan Gibel and State Auditor's Office and they have concurred that there is not enough information provided to justify reimbursement of some of these expenditures.

I am very cautious in my dealings with Bio Enterprise because of the organization's history of submitting inappropriate items for reimbursement. CCCFDC, through its agent SMG, entered initially into a contract with Bio Enterprise to obtain leases for the Global Center, from July 1, 2014, through June 30, 2015. I started as the Executive Director of CCCFDC on August 8, 2015. The contract provided that Bio Enterprise would receive \$7500 per lease negotiated, it would commit its employee David Ricco to the assignment. The agreement further provided that CCCFDC would advance \$100 per hour for David Ricco's time and the advance amounts would be subtracted from any commissions earned. In the event the advance was more than the commission, there would be no obligation for Bio Enterprise to repay the advance. Over this timeframe CCCFDC paid Bio Enterprise \$150,000; no leases were delivered.

Bio Enterprise negotiated an extension to the agreement in July 2015 and received another \$12,000 for that month with still no leases delivered. When I started, I wanted to review all contractual agreements. Upon reviewing this agreement, I immediately stopped payments. Bio Enterprise continued to bill CCCFDC through December 2016 for Mr. Ricco's services. Mr. Ricco took a job with the law firm of Walter Haverfield as a partner effective October 2016 as listed in his LinkedIn profile. Bio Enterprise continued to invoice CCCFDC for \$76,000 through December 31, 2016, for Mr. Ricco's services. Neither Bio Enterprise or Mr. Ricco were licensed to provide real estate services.

Similarly, Bio Enterprise billed CCCFDC for an employee, Annette Ballou, at an annual rate of \$187,500 to work 30 hours per week. Upon reviewing the contract, I asked to see the accounting of the hours and work performed; Bio Enterprise did not produce these documents. CCCFDC received a demand letter for payment of \$90,000 from Calfee, Halter & Griswold for Ms. Annette Ballou. These instances, as well as several others, have made me very careful to verify and question BioEnterprise's submissions for reimbursement.

I want the board to understand my position based upon my professional experience on why I am very cautious about approving these expenses. Our staff has spent an inordinate amount of time reviewing these documents.

If you have any questions, please contact me.

Sincerely,

George

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